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Oilseeds and Products

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Report Highlights:

Soybeans are not produced in the Dominican Republic, therefore, imported soybean products satisfy all local market requirements. Soybean meal imports for MY 2002 are expected to remain at current levels or approximately 360,000 metric tons, all from the U.S. Imported soybean oil has shown little growth over the last four years, reaching 105,000 metric tons in MY 2001, with a 42 percent U.S. market share.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1]
[DR]

Executive Summary

Soybeans are not produced in the Dominican Republic, because of unfavorable climatic conditions. Therefore, imported soybean products satisfy all local market requirements. Other oilseed production in the Dominican Republic, such as copra and peanuts, has gradually decreased, as a consequence of lower prices of other vegetable oils in the international market. Palm oil production has begun to recover from damaged during Hurricane George four years ago. A total of 11,000 metric tons of palm (and palm kernel) oil was produced in MY 2001, considerably lower than pre-hurricane levels. There is little likelihood of increased oilseed production in coming years, since no new investment projects are in sight for peanuts, palm or coconut. Copra production continues to decrease and is currently at about 3,000 metric tons per year.

With the exception of about 1,000 tons of coconut meal and small quantities of pal kernel meal, there is practically no other oil meal produced in the Dominican Republic. Soybean meal imports for MY 2001 and estimates into MY 2002 are expected to remain at current levels or approximately 360,000 metric tons. Local industries rely almost entirely (99%+) on imported U.S. soybean meal because of quality, price and proximity.

Domestic vegetable oil production in MY 2001 is limited to palm and copra (11,000 metric tons of oil). It represented less than nine percent of the total supply last marketing year and is expected to fluctuate little over the next two years. Total domestic consumption of edible oils (soybean, sunflower, coconut, corn and palm) in MY 2001 is at almost 130,000 metric tons, slightly above last year's levels. This total is not expected to grow much more in MY 2002. Imported soybean oil has shown little growth over the last four years, reaching 105,000 metric tons in MY 2001, with a 42 percent U.S. market share. Other vegetable oil imports are 8,500 metric tons of sunflower oil from Argentina and 3,900 metric tons of U.S. corn oil.

Applied tariffs on most Dominican agricultural items, including oils, are twenty percent. Soybean meal is exempted of import tax, while crude degummed oils have a basic 10 percent tax and a 20 percent basic duty for refined oil. The 12 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, it prefers that all trade be conducted through a registered Dominican agent.

OILSEEDS

Production

Soybeans are not produced domestically because of unfavorable climatic conditions. Years ago soybeans were imported from the United States and crushed domestically to produce oil and meal. During the late eighties, the crushing facility was closed and since, soybean products are imported to satisfy local market requirements.

Other oilseed production in the Dominican Republic, such as copra, has gradually decreased, due to lower prices of other vegetable oils in the international market and also because of competition for other higher value products derived from coconut. Another negative influential factor was Hurricane George in 1998, which decreased production further. As a direct consequence, there are only small quantities of copra available for oil extraction. Peanuts, which were once the major raw material for oil extraction, have had strong competition from less expensive oils. Furthermore, the better prices offered by the snack food industry have left practically no peanuts available for oil production.

Although palm oil production declined, as a result of palm plantations by Hurricane George, they have shown some signs of recovery. In MY 1998, production levels dropped to less than 1,500 metric tons and have only increased to 9,000 metric tons in MY 2001, considerably less than pre-hurricane levels. Industry experts confirm that the recovery in the plantations is a slow process.

Expectations for increased oilseed production in MY 2002 and the out-year are marginal as no new investment projects are in sight for peanut, palm or coconut. Copra production remains flat, currently at about 3,000 metric tons, as a result of several years of dry weather and the 1998 hurricane.

Consumption and Trade

Previously, there was only one company, MERCASID, processing Dominican oilseeds. MERCASID, refines imported crude degummed oils and further processes crude palm oil and small amounts of palm kernel and copra. However, a new company, La Fabril, has begun operations and is also refining crude degummed soybean oil.

Palm is crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies were devoted to palm oil production: INDUSPALMA, a sister company of MERCASID, a Unilever associate, and INASCA, an independent producer that suffered considerable damage during George but has begun to recover. In MY 2000, over 1,500 metric tons of palm oil were imported from Colombia to cover some of the production deficit. No imports were recorded for MY 2001.

Over 3,000 metric tons of copra was processed in MY 2001, yielding less than 2,000 metric tons of crude oil. Estimates for MY 2002 are not optimistic. As of March 2003, it appears that this year's production will remain at the same levels as the year before. Coconut oil yields in the Dominican Republic are slightly lower than the 62 percent average reported in other countries. In MY 2001, no coconut, palm nor cottonseed oils were imported from the United States.

Stocks

Insignificant.

Policy

The Dominican Republic formally maintains maximum tariff rates allowed under bound duties in the WTO, including 40 percent on oilseeds. However, duties actually collected are much lower. Most observers believe that oilseed tariffs will not increase beyond current levels of three percent for soybeans and five percent for other oilseeds (plus a twelve percent VAT). This will not affect the processors, as there is no large crushing facility in the country.

The Dominican Republic does not subsidize or restrict the trade of oilseeds. However, the government prefers that all trade be conducted through a registered Dominican agent. Import certificates are required but available through the Secretariat of Agriculture (SEA). This requirement is expected to be phased out by the year 2004.

OIL MEALS

Production

There is very little production of oil meals in the Dominican Republic. With the exception of about 1,000 tons of coconut meal, there is practically no other oil meal produced in the country (except minimal quantities of palm kernel meal produced when small amounts of palm kernel are occasionally available to crush). Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand. Estimates for MY 2001 and into MY 2002 are expected to remain at current levels. The major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy these sectors' requirements. The United States has remained the Dominican Republic's major supplier of soybean meal, because of quality, price and proximity.

Consumption and Trade

During MY 2001, soybean meal consumption continues stagnant for the third year, averaging 360,000 metric tons. The slow recovery of many poultry farms affected by Hurricane George at the end of 1998 and the revamping, consolidation and integration of several production operations are responsible for the limited growth of 0.25 percent. Preliminary estimates for MY 2002 are expected to show little change, until poultry production stabilizes and stocks reach normal levels. In addition, the out-year forecast is expected to remain unchanged, while poultry production regains its efficiency. Consumption has increased steadily over the last decade, reflecting an increase in consumption of formulated feed, and minor exports to the region.

Protein meal imported into the Dominican Republic is mixed with other imported ingredients to manufacture formulated feed, mostly for the poultry and swine sectors (at a 75:20 ratio). The balance is used for cattle and other specialty feeds. There is only one major producer in the formulated feed industry, PROTEINAL/AGRIFEED, with a management contract with Purina. Other users are large poultry and swine producers, poultry and swine producer associations, and cooperatives that mix their own feed to minimize costs. These groups, particularly Cooperativa

Avicola Ganadera Jarabacoa and the Consejo de Instituciones Pecuarias, which produces almost half of the poultry and swine in the country, use most of the soybean meal and supply the Dominican population with most of its protein requirements (poultry, pork and eggs). Dominican Secretariat of Agriculture data indicate that per capita consumption of eggs has increased dramatically over the past decade, although the industry indicates that 20 to 30 percent of the egg production continues to move informally across the border to the Haitian market.

The Dominican Republic relies almost exclusively on the United States for its soybean meal imports, as price, quality and proximity are the major determinants. Soybean meal has no import tax. Average prices are presented below:

**Wholesale Soybean Meal Prices
(RD\$/CWT)**

	March 99	March 00	March 01	March 02	March 03
	213.00	218.00	215.00	220.00	278.00
Exchange Rate					
RD\$/US\$	16.20	16.20	16.90	17.10	24.50

Source: Industry

A new product, corn cake and meal (corn gluten) made a strong entry into the feed market in MY 1999, with 33,300 metric tons imported, mainly for cattle formulations. Imports for MY 2001 show corn gluten feed use down slightly from the year before to 24,100 metric tons, but it will maintain its use in current feed formulations, since it is replacing rice and wheat bran, which are sometimes not available in the local market.

Although current prices have risen as a result of currency devaluation, it is early to anticipate how imports will be affected. Poultry prices and pork have reflected these changes.

Stocks

Stocks are estimated at thirty thousand metric tons, which is equivalent to one month's supply. This may show little fluctuation during the year.

Policy

The Dominican Republic does not have a comprehensive development strategy for the feed sector. Currently budgetary constraints will make any future plan difficult to achieve. While soybean imports are not restricted, there are eight commodities, which include poultry, and swine (sectors that use the majority of the soybean imports), which continue to be protected with permits that are only issued under special circumstances. There is no import tax on soybean meal.

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service both countries.

Marketing

Soybean meal is imported by a consolidated meal producer who prepares formulated feed for the small- to medium- sized producers in the country. Another portion of imports is done directly by the major poultry and swine producers and associations who prepare their own feed formulations. Some of the formulated feed also moves to the Haitian market through informal trade.

TOTAL OILS

Production

Domestic vegetable oil production in MY 2001 is limited to palm (less than 9,000 metric tons of crude oil plus over 2,000 metric tons of palm kernel oil) and copra (2,000 metric tons of oil). Local production of oil represented less than nine percent of the total supply last marketing year and is expected to remain unchanged over the next two to three years. There are no major investments programmed for the near future in light of stiff competition from imported soybean (105,000 metric tons), sunflower (8,900 metric tons) and corn (3,900 metric tons) oils in MY 2001.

Palm oil production is slowly recuperating as weather improves in the producing region and the effects of the hurricane in September 1998 dissipate. Production is expected to continue to improve as the plantations recover. In MY 2001, palm oil accounted for 80 percent of total domestic oil output. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap). There are two companies with palm plantations and extract crude palm oil: INDUSPALMA, a sister company to the MERCASID and now part of the multinational Unilever family, and INASCA.

In the mid-nineties there were five edible oil processors in the Dominican Republic, but, as of last year, only two were in operation until last year. MERCASID controls approximately 87 percent of the market, LA FABRIL in Santiago quickly gaining over 10 percent and "Cesar Iglesias" with the rest. Current estimated overall capacity is 120,000 metric tons.

Coconut oil production is limited to the copra remaining from coconuts, which do not meet the quality needed for either direct export or processing (e.g., syrup for piña coladas). Occasionally, some coconut oil is exported to nearby islands, although this was not the case during the past marketing year. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly.

Consumption and Trade

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2001 is almost 130,000 metric tons slightly above last year's levels. This total is not expected to grow much more in MY 2002, particularly with currency devaluations which forces local prices up. Expectations for next marketing year may show some increases, although it is early to anticipate. In the specific case of soybean oil, it has shown no growth in recent years. The major change in MY 2001 has been the source of oil, where the U. S. has gained grounds over imports from South

America. Another change has been a minor shift in consumption pattern from sunflower oil to a less expensive soybean oil.

Current prices for oils have shown considerable increases during the last twelve months as a result of currency devaluations. It is expected to remain at these levels if there are no local or international changes in prices. Local wholesale prices in Dominican Pesos are presented below for reference:

**Wholesale Prices for oils
(RD\$)**

	March 99	March 00	March 01	March 02	March 03
Soybean oil					
30 lb. Can	309.05	279.36	266.75	220.50	408.00
15 lb. Can	175.77	N/A	139.17	120.07	217.75
7.5lb. gal. 4/cs	88.55	75.71	70.56	67.84	106.92
1 lb.Bot. 24/cs	13.32	12.81	10.42	9.48	17.47
Coconut oil					
30 lb. Can	270.20	340.00	N/A	N/A	N/A
15 lb. Can	146.00	141.62	N/A	N/A	N/A
7.5lb. gal. 4/cs	73.96	96.78	N/A	N/A	N/A
1 lb.Bot. 24/cs	11.35	N/A	N/A	N/A	N/A
Peanut oil (sunflower oil)					
30 lb. Can	362.40	N/A	266.68	267.68	475.09
15 lb. Can	192.26	N/A	153.19	139.82	261.30
7.5lb. gal. 4/cs	97.95	90.10	81.42	66.92	131.51
1 lb.Bot. 24/cs	15.15	15.29	11.37	11.97	20.96
Exchange rate RD\$/US\$					
	16.20	16.20	16.90	17.10	24.50

Source: Industry

Coconut oil is no longer available for direct consumption. It is only available for institutional use and no current price is available. Corn oil is marketed in considerable smaller quantities and local prices have remained with minor changes at the wholesale levels. In March 2003, the price per gal (7.5 lbs.) was RD\$156.

Price has been the most important consideration dictating the source of imports. Because of the lower Argentinean prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads. During MY 2001, soybean oil import share from the United States increased because of additional commercial purchases were made for a new oil refinery, more competitive U.S. prices and some concessional sales to support a government sponsor-feeding project.

A summary of the Dominican vegetable oil imports for MY 1999, MY 2000 and MY 2001 is presented below:

Dominican Imports of Vegetable Oils MY 1999, MY 2000 and MY 2001

Marketing Year	Oil type	Quantity (MT)	% U.S. Share
MY 1999	Soybean	105,500	10
	Sunflower	7,000	0
	Corn	2,250	All U.S.
	Coconut	750	All U.S.
Total		115,500	12
MY 2000	Soybean	104,500	15
	Sunflower	9,860	0
	Corn	3,990	All U.S.
	Palm	1,500	0
Total		119,850	16
MY 2001	Soybean	105,000	42
	Sunflower	8,900	15
	Corn	3,960	All U.S.
	Palm	0	0
Total		117,800	42

Source: Industry

Exports of Dominican oils to nearby islands are almost non-existent. With less copra available for crushing and relatively low prices for coconut oil, exports stopped several years ago. Small quantities of soybean oil exports have been registered by the GODR (less than 1,600 MT), in addition to approximately 850 metric tons of soybean oil, which crosses to Haiti. The Dominican Republic is an observer of CARICOM since February 2002. The Central American Free Trade Agreement (CAFTC), has been approved by the GODR, but it does not include vegetable oil advantages for any of the countries in the region. The DR is currently seeking a Free Trade Agreement with the United States, although it is becoming more apparent that through the CAFTAA may appear to be easier.

Stocks

Stocks fluctuate throughout the year and are estimated at about ten thousand metric tons, which is equivalent to a month's supply.

Policy

The GODR does not have a comprehensive development strategy for the oil sector. Currently budgetary constraints will make any future plan difficult to achieve.

The applied tariff on most agricultural items in the Dominican Republic, including oils is twenty percent. Crude degummed oils have a basic 10% tax, while refined has a 20 % basic duty. The 12 % Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to

the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, the GODR prefers that all trade be conducted through a registered Dominican agent.

Marketing

The Dominican oil market is very competitive with an average supermarket carrying at least eight brands. Currently and in addition to the local brands, the most popular brands appear to be Crisco (with canola and soybean oils) and Mazola (with corn) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils is presentation and price.

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service the area.

STATISTICAL DATA

PSD Table

Country Commodity	Dominican Republic						UOM
	Meal, Soybean						
	(1000 MT)			(PERCENT)			
	2001	Revised	2002	Estimate	2003	Forecast	
USDA Official[1]	Estimate[1]	USDA Official[1]	Estimate[1]	USDA Official[1]	Estimate[New]		
Market Year Begin	01/2002	01/2002	01/2003	01/2003	01/2004	MM/YYYY	
Crush	0	0	0	0	0	0 (1000 MT)	
Extr. Rate, 999.9999	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0! (PERCENT)	
Beginning Stocks	36	36	30	33	30	30 (1000 MT)	
Production	0	0	0	0	0	0 (1000 MT)	
MY Imports	384	374	400	365	0	368 (1000 MT)	
MY Imp. from U.S.	384	374	400	365	0	368 (1000 MT)	
MY Imp. from the EC	0	0	0	0	0	0 (1000 MT)	
TOTAL SUPPLY	420	410	430	398	30	398 (1000 MT)	
MY Exports	3	3	5	3	0	0 (1000 MT)	
MY Exp. to the EC	0	0	0	0	0	0 (1000 MT)	
Industrial Dom. Consum	0	0	0	0	0	0 (1000 MT)	
Food Use Dom. Consump	0	0	0	0	0	0 (1000 MT)	
Feed Waste Dom. Consum	387	374	395	365	0	368 (1000 MT)	
TOTAL Dom. Consumption	387	374	395	365	0	368 (1000 MT)	
Ending Stocks	30	33	30	30	0	30 (1000 MT)	
TOTAL DISTRIBUTION	420	410	430	398	0	398 (1000 MT)	
Calendar Year Imports	374	374	0	374	0	368 (1000 MT)	
Calendar Yr Imp. U.S.	370	374	0	374	0	368 (1000 MT)	
Calendar Year Exports	0	0	0	0	0	0 (1000 MT)	
Calndr Yr Exp. to U.S.	0	0	0	0	0	0 (1000 MT)	

PSD Table

Country	Dominican Republic						
Commodity	Oil, Soybean						(1000 MT)(PERCENT)
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official[Estimate[USDA Official[Estimate[USDA Official[Estimate[New]	
Market Year Begin	01/2002	01/2003			01/2004	MM/YYYY	
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	(PERCENT)
Beginning Stocks	14	14	14	12	14	11	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	107	105	110	107	0	108	(1000 MT)
MY Imp. from U.S.	14	44	17	20	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	121	119	124	119	14	119	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump	107	107	110	108	0	108	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	107	107	110	108	0	108	(1000 MT)
Ending Stocks	14	12	14	11	0	11	(1000 MT)
TOTAL DISTRIBUTION	121	119	124	119	0	119	(1000 MT)
Calendar Year Imports	0	105	0	108	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	44	0	20	0	20	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)